

## Message Text

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ORIGIN FRB-02

INFO OCT-01 ARA-16 ISO-00 EB-11 TRSE-00 L-03 SSO-00 INRE-00

CIAE-00 INR-10 NSAE-00 RSC-01 SPC-03 /047 R

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DRAFTED BY: FRB-SUP/REG:TMINNIES

EB/IFD/OMA:JKRIZAY

ARA/CAR:KWAUCHOPE

TR/OS:MBACH

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FM SECSTATE WASHDC

TO AMEMBASSY NASSAU IMMEDIATE

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EO 11652: NA

TAGSC EFIN, FB

SUBJ: BAHAMAS BANKING LEGISLATION

REF: NASSAU 1785

1. THE FEDERAL RESERVE BOARD, AS AUTHORIZING AGENCY FOR FOREIGN BRANCHES OF MOST US BANKS, HAS REVIEWED THE APPROPRIATENESS OF THE SO CALLED SHELL BRANCHES IN THE BAHAMAS ON SEVERAL OCCASIONS IN RECENT YEARS. THE BOARD HAS HAD MISGIVINGS ABOUT SANCTIONING SUCH BRANCHES, RECOGNIZING THAT FOR THE MOST PART THEY ARE MERELY A BOOK-KEEPING DEVICE FOR FOREIGN LOANS AND DEPOSITS MADE FROM THE BANKS' HEAD OFFICES. PRINCIPLE REASON FOR AUTHORIZING SHELL BRANCHES HAS BEEN ONE OF EQUITY, IN ORDER TO PERMIT SMALLER BANKS WITHOUT LONDON OR OTHER FULL SCALE BRANCHES ABROAD TO DEVELOP THEIR INTERNATIONAL BUSINESS AT A TIME WHEN FOREIGN LENDING FROM US OFFICES IS RESTRICTED BY CAPITAL CONTROLS, PARTICULARLY THE VFCRP. SHELL BRANCHES HAVE ALSO BEEN AUTHORIZED FOR BANKS WITH LONDON BRANCHES BECAUSE OF DOUBLE TAXATION PROBLEMS. ALL AUTHORIZATIONS

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FOR SHELL BRANCHES CONTAIN THE CONDITION THAT THE AUTHORI-

ZATION IS GRANTED SUBJECT TO A CONTINUING REVIEW OF THE  
BRANCH'S ACTIVITIES AND THAT IT MAY BE WITHDRAWN OR  
MODIFIED AFTER DUE NOTICE.

2. ALL US BANKING LAWS RELATED TO FOREIGN ACTIVITIES  
(INCLUDING SHELLS) ARE PRESENTLY UNDER REVIEW WITHIN THE  
US GOVERNMENT.

3. TREASURY IS AVAILABLE IF EFFROS WISHES TO CONTACT THEM  
CONCERNING FURTHER DETAILS ON BANK SECRECY AND SWISS  
JUDICIAL ASSISTANCE AGREEMENT. KISSINGER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 28 NOV 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
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**Page Count:** 2  
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**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** NASSAU 1785  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 16 JAN 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <16-Jan-2002 by kelleyw0>; APPROVED <05-Feb-2002 by golinofr>  
**Review Markings:**

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30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** BAHAMAS BANKING LEGISLATION  
**TAGS:** EFIN, BF  
**To:** NASSAU  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005